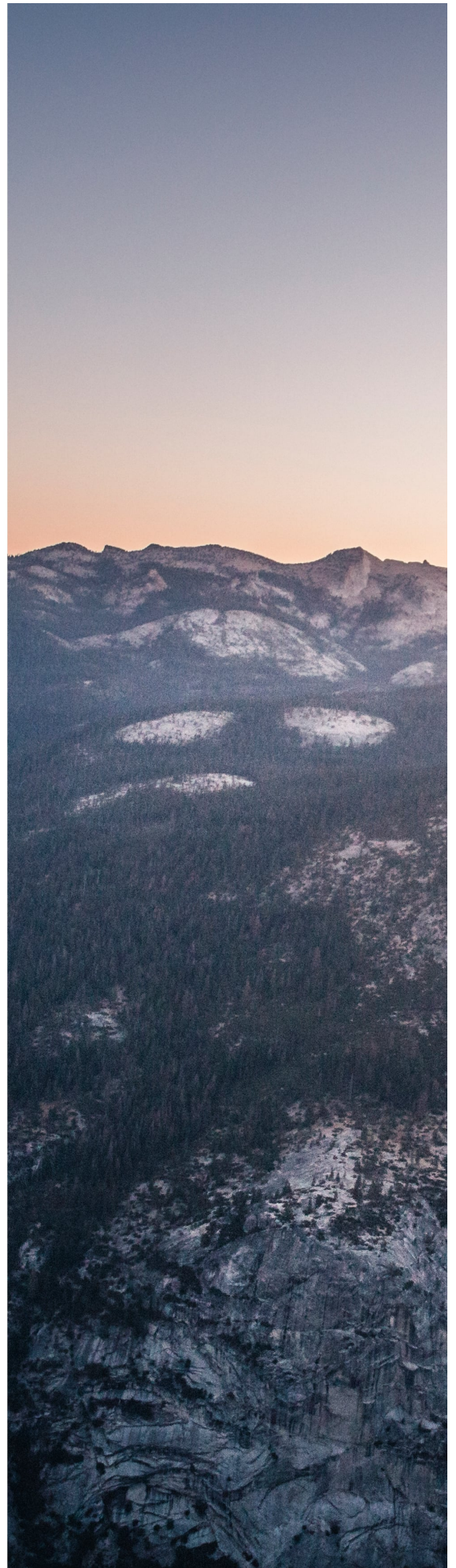
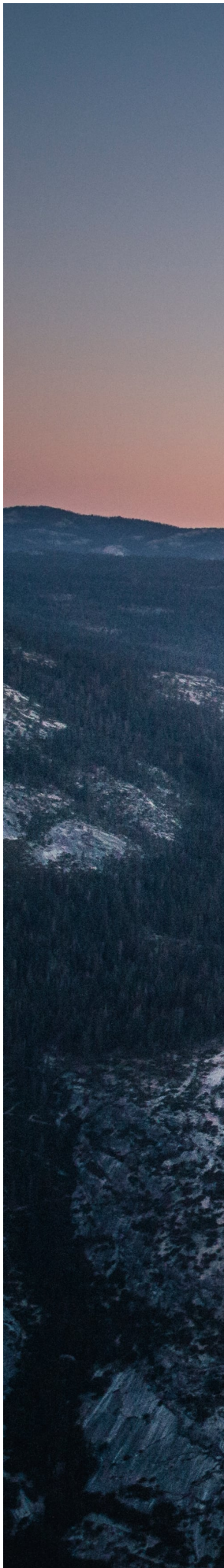


Our risk expertise



We take a proactive approach to managing risks

Catastrophic events – whether naturally caused or man-made – are unavoidable. Their regional distribution varies, they differ in nature or structure, and they are subject to a highly diverse range of natural, societal or legal framework conditions. Our extensive experience in risk assessment and risk management helps us to identify not only existing but also new and emerging risks and to develop appropriate risk transfer solutions.





Governance and Dialogue

Responsible enterprise management

As an internationally operating company, we bear responsibility in numerous ways. This is true of our compliance with laws and regulations, but also applies to our relationship with our staff, shareholders, the public at large and the cultures within which we operate. Through transparent and responsible action we strengthen the trust placed by the market in our company and in our corporate governance and at the same time we protect our reputation as an intangible asset. As a result, our employees and clients enjoy working for and with us. Not only that, it also makes it easier for us to access capital and reduces the cost of capital, which in turn improves our competitiveness. Furthermore, responsible corporate governance helps to minimise risks and mismanagement and promotes the stability of financial markets. All in all, then, good corporate governance is in the interest of a broad range of stakeholders.

We embody state-of-the-art corporate governance as a matter of course. As a listed European joint-stock company in the form of a *Societas Europaea* (SE) based in Germany, we are subject to SE-specific laws, German laws governing stock corporations and the capital market, and laws on co-determination, especially the participation agreement concluded with the employees. The three governance bodies of Executive Board, Supervisory Board and General Meeting make up the governance structure of the undertaking. Their cooperation is regulated by law and by the company's Articles of Association. Our actions worldwide are guided by high ethical and legal standards, which we have defined in our Code of Conduct and can be viewed on our website. Furthermore, our Corporate Governance Principles and Code of Conduct constitute the basis of our enterprise management.

In the context of our materiality process we identified responsible enterprise management as a material issue.

GRI Disclosures

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More information

- [AR 2018: Declaration on Corporate Governance](#)
- [AR 2018: Responsible enterprise management](#)
- [Website: Corporate Governance](#)
- [Website: Declaration of Conformity](#)
- [Website: Compliance](#)

Management structure

As a European Company (SE) based in Germany, the formal structure of our corporate governance is determined by national law. The fundamental hallmarks are the two-tier system with its transparent and effective split into the management of the company (Executive Board) and its oversight (Supervisory Board), the composition of the Supervisory Board with representatives of the shareholders and employees as well as the shareholders' rights of co-administration and supervision at the General Meeting. The interaction between these bodies is regulated in German stock corporation law as well as in the company's Articles of Association. In addition, our corporate strategy, the Corporate Governance Principles and our Code of Conduct form the basis of our enterprise management.

Overall responsibility for enterprise management and Group-wide risk management as well as for the definition of the Risk Strategy rests with the Executive Board of our company. The Supervisory Board takes responsibility for advising, and especially for monitoring and supervising, the Executive Board in its management of the company and also with respect to risk management.

The avoidance of conflicts of interest is assisted by the control mechanisms stipulated in law and in the Articles of Association that exist between the Executive Board, Supervisory Board and General Meeting. In order to assure the provision of independent advice to and oversight of the Executive Board by the Supervisory Board, no more than two former members of the Executive Board shall belong to the Supervisory Board. Members of the Supervisory Board may not take on any governance function or consulting tasks at significant competitors of the company.

Our stakeholders have the opportunity to report critical issues to the company's highest governance body. All stakeholders, and especially shareholders, have recourse to the Supervisory Board with which they

can raise their objections. Our shareholders exercise their voting right at our Annual General Meeting, in particular by determining the members of the Supervisory Board, ratifying the acts of management of the Executive Board and Supervisory Board, adopting the resolution on the appropriation of profit and through their right to ask questions and receive information. In this connection, too, every shareholder is able to directly address questions or comments. Within the framework of our established governance structures, critical concerns – including in relation to sustainability matters – are communicated on an ongoing basis to both the Executive Board and the Supervisory Board. In accordance with the practice adopted by the Supervisory Board and Executive Board, critical concerns are immediately addressed and dealt with at the meetings of the Supervisory Board and its committees.

When appointments are made to the Executive Board and Supervisory Board, Hannover Rück SE is guided by a number of considerations including the principle of diversity. Wide-ranging qualifications, expertise and relevant experience on the part of the members of the Executive Board and Supervisory Board facilitate a nuanced evaluation of the commercial opportunities and risks associated with business operations and enable balanced and professional actions and decisions to be taken on this basis. Due consideration is given to the aspect of diversity when members of the Executive Board and Supervisory Board are appointed. In addition to specialist and personal qualifications (competencies), this aspect encompasses in particular age, gender, education and professional career. With a view to ensuring that the concept of diversity is applied on an ongoing basis, an assessment is made in the context of every new appointment to the Executive Board or Supervisory Board as to whether the envisaged appointment is also in keeping with the diversity concept. We report at length on the concept of diversity in our Group Annual Report 2018 from page 126 onwards.

Executive Board

Our Executive Board is composed of seven members, who are appointed by the Supervisory Board. Along with their qualifications, the Supervisory Board also pays attention to appropriate diversity in the composition of the Executive Board as set out in the diversity concept.

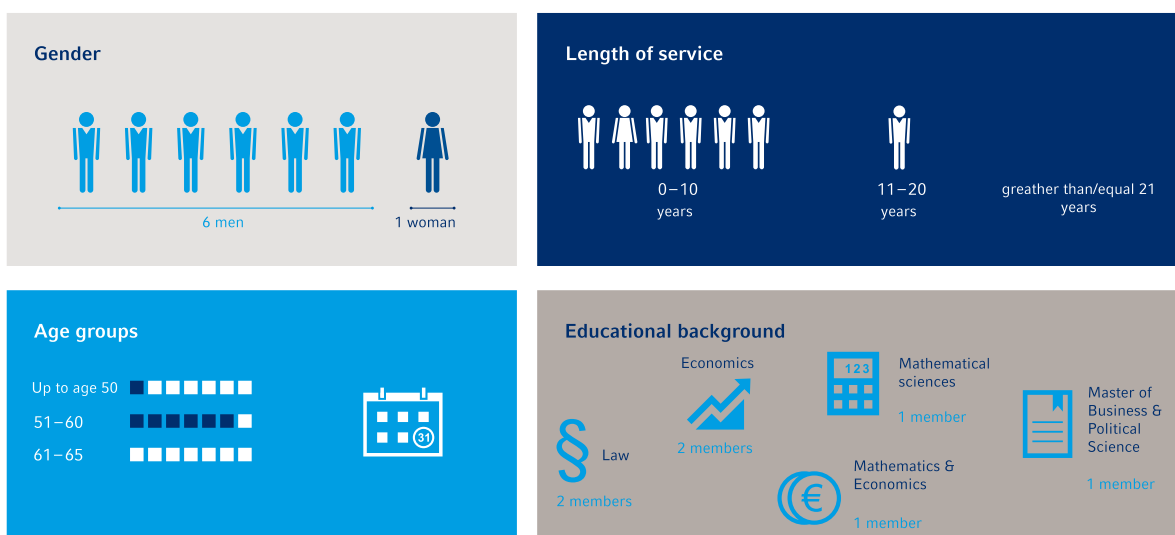
With the appointment of Ms. Silke Sehm as a full member of the Executive Board in March 2019 we achieved the 14% target quota for women on the Executive Board defined in the concept for the period until 2022. Experience in environmental and social matters is taken into consideration as part of the selection process for the Executive Board or Supervisory Board, but is not regarded as a decisive factor.

The Executive Board ensures the elaboration and implementation of a consistent business policy in keeping with the company's strategic objectives.

With shareholders in mind, the Executive Board expressly attaches importance to an organisation that facilitates cost-efficient, quick and unbureaucratic decision processes. Open and trusting cooperation geared to the collective interest is the cornerstone of success. In this context, the members of the Executive Board bear joint responsibility for the overall management of business. Irrespective of their shared responsibility, each individual member of the Executive Board leads their assigned area of competence at their own responsibility within the bounds of the resolutions adopted by the Executive Board. When individuals are appointed to the Executive Board, the term of appointment is to be determined such that it expires no later than the end of the month in which the member of the Executive Board turns 65.

For further information on the working practice of our Executive Board please see pages 124 et seq. of our Group Annual Report 2018.

Overview of diversity on the Executive Board



As at 8 May 2019

Supervisory Board

Our Supervisory Board consists of nine members elected by the Annual General Meeting. Pursuant to statutory requirements and the Agreement on the Participation of Employees in Hannover Rück SE, the employees are represented by three members.

A list of the current members is provided in the present report under "Supervisory Board". We would also refer to our website in this regard.

The Rules of Procedure of the Supervisory Board stipulate that the Supervisory Board must have a sufficient number of independent members. Given that members of the Supervisory Board cannot at the same time sit on the Executive Board, a high degree of independence in the oversight of the Executive Board is already ensured by structural means. Currently, the Supervisory Board is of the opinion that of the six shareholder representatives elected by the Annual General Meeting at least three are independent as defined by Item 5.4.2 of the German Corporate Governance Code (DCGK). In its current composition the Supervisory Board largely fulfils the requirements of the German Corporate Governance Code with regard to independence. Necessary divergences are disclosed in the Declaration of Conformity pursuant to § 161 Stock Corporation Act (AktG) regarding compliance with the German Corporate Governance Code and published on our website.

When it comes to selecting the shareholder candidates who are proposed to the General Meeting for election to the Supervisory Board, the Supervisory Board takes care to ensure that the individuals in question have the necessary knowledge, abilities and specialist experience. In addition, the Supervisory Board conducts a self-assessment of its expertise and reviews the efficiency of its work once a year and decides on suitable development and advanced training measures, as necessary. In August 2018, for example, the Supervisory Board received IT training in the context of its deliberations on the company's newly developed digitalisation strategy. At least one member of the Supervisory Board must have technical expertise in the fields of accounting and the auditing of financial statements. This is assured at the present time. The anticipated time that can be invested in a sustainable increase in the value of the company is similarly a central cri-

terion in the selection of candidates. Under certain circumstances the number of seats that may be held on supervisory boards outside the Group is therefore limited.

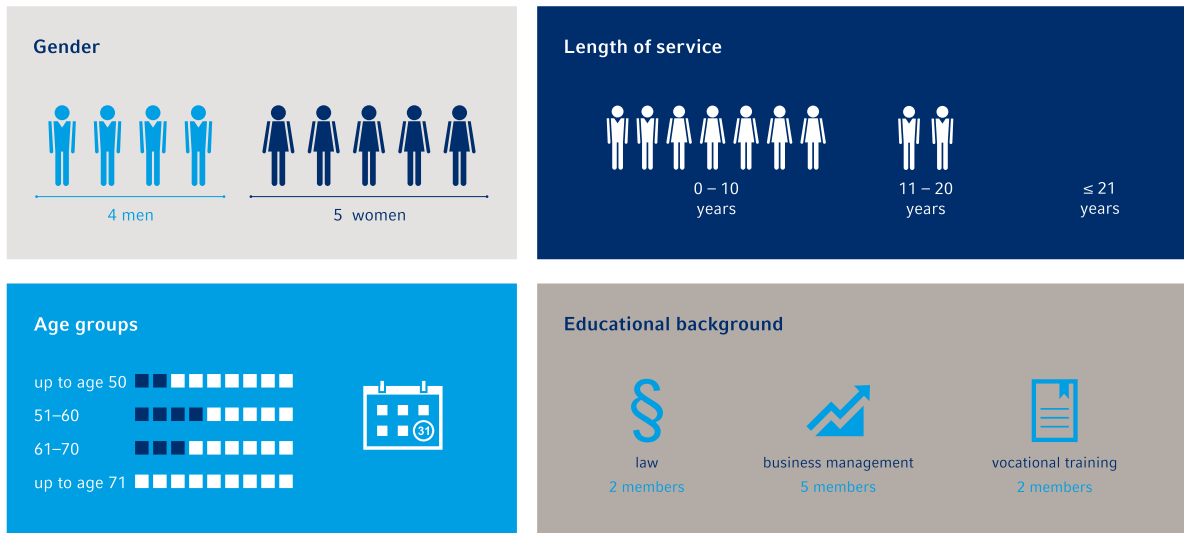
The principle of diversity is also taken into account by the Supervisory Board in the selection of a candidate. Allowing for the term of appointment of the Supervisory Board, the Supervisory Board has set itself a target quota of 30% for women on the Supervisory Board in the period from 1 July 2017 to 30 June 2022. This target had already been fulfilled at the end of 2017 with a proportion of 33%. The Supervisory Board has thus acted on various requirements contained in Item 5.4.1 of the German Corporate Governance Code (DCGK) regarding the composition of the Supervisory Board. The proportion of women on the Supervisory Board currently stands at 55.6%.

For further information on the working practice of our Supervisory Board and its committees please see pages 124 et seq. of our Group Annual Report 2018.

In accordance with its role, the Supervisory Board appoints the members of the Executive Board and performs its oversight and supervisory functions. The Supervisory Board is kept informed on a regular (at least quarterly) and timely basis of relevant business events. These include the business development, the execution of strategic decisions, material risks and planning as well as relevant compliance issues. The Chairman of the Supervisory Board stays in regular contact with the Chairman of the Executive Board in order to discuss with him significant business occurrences. Our Articles of Association and the Rules of Procedure of the Executive Board define the specific matters that require the consent of the Supervisory Board or its Chairman.

The Supervisory Board of Hannover Rück SE held four regular meetings and two extraordinary meetings in 2018. All nine Supervisory Board members took part in each of the Supervisory Board meetings held in 2018. Two representatives of the Federal Financial Supervisory Authority attended one meeting on a routine basis.

Overview of diversity on the Supervisory Board



As at 8 May 2019

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More information

- Executive Board
- Supervisory Board

- AR 2018: Executive Board of Hannover Rück SE
- AR 2018: Declaration on Corporate Governance
- AR 2018: Working practice of the Executive Board and Supervisory Board
- AR 2018: Further enterprise management principles
- AR 2018: Report of the Supervisory Board
- AR 2018: Supervisory Board Members
- Website: Executive Board
- Website: Supervisory Board
- Website: Articles of Association of Hannover Rück SE
- Website: Corporate Governance Principles

Corporate Governance Code

As an instrument of self-regulation for the business world, the applicable version of the German Corporate Governance Code (DCGC) for the year under review dating from 7 February 2017 sets out not only legal requirements but also various recommendations and suggestions for good corporate governance. They are intended to maintain and foster the trust of different stakeholder groups in the management and supervision of German companies. Although the Code does not have binding legal force, the enterprises addressed by the Code are nevertheless required by § 161 Stock Corporation Act (AktG) to provide an annual declaration as to whether or not the recommendations of the Code were and are complied with in the reality of the company's business activities. If recommendations were not acted upon, this is to be explained and disclosed as part of the Declaration of Conformity.

Since 2003 we have provided an annual Declaration of Conformity with the applicable version of the German Corporate Governance Code as amended, which is published on our website and can be reviewed in the Group Annual Report. Furthermore, our Corporate Governance

Principles are regularly revised and reflect the recommendations of the Code as amended. The Corporate Governance Principles of Hannover Rück SE applicable for the 2018 reporting year were approved by the Executive Board and Supervisory Board on 7 November 2017.

Our positive attitude towards the Code notwithstanding, we did not comply with certain Code recommendations in the year under review. A well justified deviation from the recommendations of the Code may be very much in the interests of good corporate governance (cf. the Foreword to the Code). With this in mind, we make allowance for enterprise- and industry-specific features and tailor our corporate governance to fit our company.

In addition, we are already engaged in an intensive exploration of the upcoming comprehensive reform of the Code, currently available as a government bill, and its prompt implementation following entry into force.

More information

- [AR 2018: Declaration on Corporate Governance](#)
- [Website: Corporate Governance](#)
- [Website: Declaration of Conformity](#)
- [AR 2018: Responsible enterprise management](#)
- [Website: Corporate Governance Principles](#)

Remuneration and performance review

The amount and structure of the remuneration of the Executive Board are geared to the size and activities of the company, its economic and financial position, its success and future prospects as well as the customariness of the remuneration, making reference to the benchmark environment (horizontal) and the remuneration structure otherwise applicable at the company (vertical). The remuneration is also guided by the tasks of the specific member of the Executive Board, his or her individual performance and the performance of the full Executive Board.

The correlation between the performance of our company and the remuneration of our Executive Board is assured by a remuneration scheme with two components: fixed salary/non-cash compensation and variable remuneration. The bases for measurement of the variable remuneration extend over several years, thereby promoting the sustainable development of our company.

The profit- and performance-based remuneration (variable remuneration) is contingent in part on the attainment of individual targets. On the other hand, allowance is also made for targets that refer to key performance indicators of the company (e.g. return on equity). The set targets vary according to the function of the Board member in question. Environmental and social goals are not currently reflected in the performance criteria under the remuneration policy.

The Standing Committee of the Supervisory Board prepares matters of content relating to the remuneration of the Executive Board for discussion and adoption of a resolution by the full Supervisory Board. The remuneration scheme for the members of the Executive Board was presented at the Annual General Meeting 2012 and put to the vote. The shareholders were thus able in this forum to express their opinion on the remuneration scheme. The motion to approve the system of remuneration for the members of the Executive Board was adopted. We draw upon the services of an external independent consultant not only for the elaboration of the remuneration scheme for the members of the Executive Board; outside independent advice is also sought when it comes to making the annual horizontal comparison with the benchmark environment, which is mapped on the basis of typical or average figures from comparable companies.

In accordance with Item 5.6 of the German Corporate Governance Code we evaluate the efficiency of the Supervisory Board at regular intervals in order to explore potential options for improvement in its work.

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More information

- [AR 2018: Remuneration report](#)
- [Website: Executive Board](#)
- [Website: Supervisory Board](#)

In the context of this self-assessment each member of the Supervisory Board evaluates the quality of the work currently performed by the Supervisory Board in anonymised form and makes suggestions for future optimisation.

The remuneration of the Supervisory Board is determined by the Annual General Meeting of Hannover Rück SE and regulated by § 14 of our Articles of Association as amended on 30 May 2016, which are made publicly accessible on our website.

The remuneration scheme for senior executives below the Executive Board (management levels 2 and 3) and for key function holders in Germany belonging as a matter of principle to the ranks of senior executives consists of a fixed annual salary and a system of variable remuneration. This is comprised of a short-term variable remuneration component, the annual cash bonus, and a long-term share-based remuneration component, the Share Award Plan. This variable remuneration has been uniformly applied worldwide since 1 January 2012 to all Group senior executives (i.e. Managing Directors, Directors and General Managers). As part of the reorientation of the remuneration system for senior executives the Share Award Plan of the Executive Board was consciously extended to include management levels 2 and 3.

Members of staff on the levels of Chief Manager, Senior Manager and Manager are also able to participate in a variable remuneration system through the Group Performance Bonus (GPB). The Group Performance Bonus (GPB) is a remuneration model launched in 2004 that is linked to the success of the company. This tool is geared to the minimum return on equity of 750 basis points above the risk-free interest rate defined for the specific financial year and the return on equity actually generated.

Detailed information on the remuneration of the Executive Board, Supervisory Board and senior executives below the Executive Board is published in the remuneration report from page 127 onwards of the Group Annual Report 2018.

Compliance

Any form of corrupt or unethical conduct causes substantial damage to society. Companies operating in the financial sector have an important role to play in preventing such behaviour. Responsible corporate governance therefore additionally includes absolute adherence to laws and ethical standards as well as the implementation of extensive risk and prevention systems and continuous awareness-raising among staff.

In this context the compliance function and our compliance management are of considerable significance. We define "compliance" as the totality of all content-related and organisational safeguards that ensure lawful conduct on the part of the Hannover Re companies, the members of their governing bodies and their employees with regard to all legal and ethical standards as well as the internal corporate policies in the various areas of the company and its operational processes.

In the context of our materiality process we identified compliance as a material issue.

Integrity in dealings with our business partners, shareholders and the public at large is a matter of particular concern for us. Legally correct, responsible and ethical action is a fundamental prerequisite for trust

in our company and for its competitiveness. If we are to succeed over the long term, it is vital that we respect and comply with relevant laws and provisions as the legal basis for our business activities in all the countries where we operate.

These include, for example, laws and directives governing environmental matters, the prevention of corruption and money laundering, data protection, information security, sanctions and embargos, tax compliance as well as the Market Abuse Directive, the Solvency II Directive, the Insurance Supervision Act (VAG), the Securities Acquisition and Takeover Act (WpÜG) and the Securities Trading Act (WpHG). Our company also has its own Code of Conduct. The compliance function is one of four key functions of the governance system required by the Solvency II Directive and is an important element of the internal control system.

We report at length on our DIN EN ISO 14001-certified environmental management system, our EMAS III environmental statement and our Donations Guideline in the section entitled "Environment and Society".

GRI Disclosures

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More information

- [Website: Compliance](#)
- [Website: Code of Conduct](#)
- [AR 2018: Compliance](#)
- [Website: Governance and Dialogue](#)

Compliance structure and report

We consider an efficiently functioning compliance structure to be an essential tool for ensuring fulfilment of external rules as well as requirements imposed internally within the company. Our compliance structure was reviewed and adjusted most recently in 2015 against the backdrop of the compliance requirements associated with Solvency II.

The Chief Compliance Officer and the Compliance Department keep employees informed about changes in legislation, insofar as they affect their work. A worldwide network of compliance officers at the international locations reports to and supports the Chief Compliance Officer in his duties. This means that local compliance violations can also be reported directly outside the local hierarchy. The Chief Compliance

Officer updates the Executive Board on material compliance issues and developments in an annual compliance report.

The Chief Compliance Officer works to ensure compliance with internal corporate policies by cooperating with other departments, including Group Auditing. With a view to improving cooperation within the compliance network on the European level, we organise an annual gathering of European compliance officers. Conference calls are also held in those quarters when no meeting is held. This facilitates closer coordination and supervision of the implementation of compliance measures.

Whistleblower system

A whistleblower system for the reporting of violations has been put in place. Possible topics include, among others, fraud, corruption, embezzlement, anti-competitive practices, market manipulation, breaches of insider trading regulations or avoidance of embargo provisions. The Web-based whistleblower system for companies within the Group enables employees, customers and third parties to report serious compliance violations in their local language or in English – and where permitted by law anonymously if they so wish. The whistleblower system is operated by an outside company in order to increase whistleblower protection. No technical means are available by which whistleblowers can be traced. In addition, our employees throughout the Group can seek advice on compliance matters by writing to an e-mail address associated with the Compliance Department. Any tips received as well as the measures taken in response are included in the annual compliance report.

In the year under review no notifications were received through the Group-wide whistleblower system regarding potential wrongdoing. Nor were any instances of discrimination, human rights violations or breaches of employment law or decent working conditions reported to us in the year under review. Furthermore, no lawsuits were filed against our company in the reporting period or in previous years on grounds of anti-competitive or anti-trust practices.

The Compliance Department is complemented by several Compliance Committees, the members of which come from the business groups as well as from the areas of Group Legal Services, Finance, Accounting and Investments. The Compliance Committees examine certain reinsurance contracts with a special eye to compliance with supervisory law and accounting requirements.

Our Corporate Compliance Organisational Manual is subject to continuous review. This manual summarises the main activities in the area of corporate compliance. It also describes the responsibilities within our company, the interfaces between Group Legal Services (Compliance Department) and other areas as well as the various components of the compliance organisation.

Compliance training

All new employees at the Hannover location take part in face-to-face compliance training when they join the company; this covers, among other aspects, the topic of corruption and appropriate practices that are in conformity with the law. In the year under review four training activities were held for altogether 107 employees. In order to stay updated on compliance issues such as combating corruption, we use traditional communication channels including intranet portals and online newsletters. Important information of company-wide relevance is made available to staff in the intranet. With effect from 2018 onwards we have also organised mandatory corporate governance training for our underwriters in property and casualty reinsurance at the Hannover location. The gives our staff an understanding of legal bases as well as internal policies and standards and provides an overview of the various in-house committees. Questions relating to general compliance matters and fighting corruption are also discussed. Altogether, some 300 employees received this training when the measure was first held. A similar training activity was held for our life and health reinsurance underwriters in August 2018. This measure will be expanded in the third quarter to include the international offices.

The Compliance Report for the 2018 calendar year was submitted to the Finance and Audit Committee in March 2019. The report describes the structure and wide-ranging activities of our company in this regard. The findings of the separate data protection reporting for the 2018 calendar year are also included in the Compliance Report. After in-depth explorations of topics such as directors' dealings, ad hoc and other notification obligations, the insider list, consultancy agreements, data privacy and international sanctions, the report concludes that only a few facts and circumstances were known that would suggest violations of compliance-related provisions. Altogether, one compliance-related incident was reported. After extensive examination of this incident the necessary precautions were taken in order to ensure for the future that we are in conformity with the internal and external require-

ments governing our business operations. As a consequence of the incident, we implemented a number of compliance and audit measures at the affected international office so as to improve the internal control system on the local level and at the interface between headquarters and the branch.

Our annual compliance risk analysis was carried out in the year under review in cooperation with the areas of Human Resources Management, Accounting and Taxation. As a result of this risk analysis, the possible risks of non-compliance and the steps taken to prevent non-compliance were documented and examined with an eye to their adequacy.

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More information

-  Website: Compliance
-  Website: Code of Conduct

Legal framework

Our Group Legal Services department continuously monitors relevant changes in legislation and the requirements arising out of the applicable legal framework. It evaluates legally relevant changes and their implications for internal processes and policies. Ongoing legal monitoring is carried out for particularly significant compliance issues by various specialist departments.

Recent changes

The EU Insurance Distribution Directive Implementation Act, which entered into force in 2018, marked a notable change in the legal framework relating to compulsory further training for employees on the underwriting side. The law requires our underwriters to complete 15 hours of further training per year. The purpose of the training is to maintain specialist knowledge and personal skills. In the year under review the appropriate processes were implemented in order to ensure and document compliance with the content-related requirements of this compulsory training.

Tax framework

As a globally operating reinsurance undertaking, we are subject to the tax laws of the respective national jurisdictions. We pay the incurred GRI Disclosures

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More information

- [Website: Executive Board](#)
- [Website: Supervisory Board](#)
- [AR 2018: Group non-financial information statement](#)
- [Website: EMAS](#)
- [AR 2018: Notes 7.5 \(Taxes on income\)](#)
- [Website: Tax Strategy](#)

taxes according to the applicable legal provisions of the countries in which we operate.

Within our Group-wide Tax Compliance Management System (Tax-CMS) our task areas, processes and responsibilities in relation to taxes are specified in the context of Group taxation and organisational policies. Our Group Tax Guideline defines our major principles of cooperation in matters of taxation. The entire Executive Board is responsible for this and collectively monitors its implementation. The regular verification of Group-wide compliance is the responsibility of Group Auditing. In addition, we have developed a Tax Strategy in accordance with the Group Strategy and published this on our website.

The tax expenditure of the Hannover Re Group recognised in the IFRS consolidated financial statement for the year under review was EUR 124.9 million higher than in the previous year at EUR 372.9 million (previous year: EUR 248.0 million). Along with the increased pre-tax profit compared to the previous year, this can be attributed principally to considerable tax-exempt earnings booked from the realisation of equities and equity funds in the previous year. The effective tax rate amounted to 24.6% (previous year: 19.2%). A breakdown of domestic and foreign taxes on income is provided in our Group Annual Report from page 251 onwards.

Data privacy and information security

As part of our business activities we process and store personal data. The data are required primarily in the context of underwriting, for providing customer- and contract-related services as well as in claims and benefit management. Furthermore, personal data are collected, processed and stored in connection with, among other things, human resources management and shareholder administration. We also process personal data in order to assert our own legitimate interests or those of third parties. In particular, this may be necessary in order to safeguard IT security and IT operations and to meet official requirements. It is incumbent on the Hannover Re Group to uphold the statutory data privacy rights of data subjects, and we have implemented appropriate procedures and methods for this purpose. The general principle is that personal data may only be collected, processed and stored by Group employees to the extent that this is necessary for a precisely defined purpose as part of their lawful task fulfilment or a corresponding basis exists in law. We make use of external service providers to some extent in order to perform our contractual and statutory duties. These external data recipients are to be viewed as part of the data processing operations, as is the case with brokers, outside experts and business partners. All external recipients are contractually bound to comply with statutory data protection requirements and are checked in this regard.

The EU General Data Protection Regulation (GDPR), which entered into force on 25 May 2018, is an important step towards a harmonised single European market and puts in place a consistent level of data protection Europe-wide. It does not directly affect all Hannover Re entities if their registered office is located outside the European Union or European Economic Area. The respective national legal frameworks are primarily determinative for these companies, although defined minimum data protection standards of the Hannover Re Group must be observed. Compliance with the GDPR is, however, also required if data subjects in the EU are offered either goods or services by these companies. The existing structures of the established compliance organisation are used to implement the minimum standards required by data privacy law. Irrespective of the geographical scope of application of the GDPR, the designated compliance officers and contact persons are responsible for local data protection requirements. As necessary, they draw up additional local data privacy guidelines and serve as the interface to Hannover Re's Data Protection Officer in Germany.

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More information

- [Website: Compliance](#)
- [AR 2018: Compliance](#)
- [AR 2018: Operational risks](#)

The Data Protection Officer coordinates overarching aspects of the installed data privacy management system within the Hannover Re Group. He gives advice on how to resolve specific data privacy issues and monitors compliance with the EU General Data Protection Regulation and other data protection standards. In this connection, the monitoring of data privacy requirements takes place in close coordination with Group Auditing. The findings of the separate reporting on data protection are integrated into the annual compliance report. No complaints were received about privacy breaches affecting personal data or the loss of such data during the period under review. There was therefore no requirement to fulfil the duty to notify data breaches pursuant to Articles 33 and 34 of the GDPR.

An information security management system geared to ISO 27001 has been set up Group-wide for operational assurance of the protection requirements under data privacy law as well as for ensuring the security of all other sensitive information within the company. In organisational terms, information security management is coordinated centrally by the Group Information Security function and incorporates all other relevant functions, including for example Group IT for matters of IT security or Facility Management with respect to building security. In addition, awareness among our employees of such security risks is raised through practically oriented assistance measures, training activities and a staff information campaign. Risks arising out of the areas of data protection and information security are integrated into the system of risk management as operational risks and monitored here.

In view of the broad spectrum of such risks, many diverse technical and organisational measures for both managing and monitoring such risks are used, including for example a requirement to conclude confidentiality agreements with service providers.

In addition to an annual, externally supported self-assessment of the management system's readiness level, we participate in various cooperative projects undertaken by our industry and engage in a regular dialogue with advocacy groups such as the Bundesverband der IT-Anwender e. V. in the context of the Cyber Security Competence Center.

Sanctions

Observance of applicable sanctions regulations plays a central role for us on account of our international orientation and worldwide activities. Our Code of Conduct and Underwriting Guidelines stress the obligation to comply with relevant sanctions provisions. In addition, a Sanctions Screening Guideline is in place, stipulating when members of staff must perform sanctions screening with respect to the initiation of contracts and/or the payment of claims. A software-supported check is made to continuously verify whether the company's data inventories include the names of natural and legal persons who are subject to sanctions and hence with whom no business may be transacted. Above and beyond this, each working day staff in Group Legal Services check the Official Journal of the European Union for changes in sanctions law on the EU level and advise the affected departments of relevant changes without delay.

In the year under review we pressed ahead with the roll-out of the new Sanctions Guideline. Additional branches and subsidiaries in Ireland, Sweden, Bahrain, France, Colombia and Malaysia were connected to the new system once all the employees in the accounting and underwriting departments had received appropriate training.

The compliance training given to new members of staff also includes basic instruction in sanctions law. New underwriters and claims managers receive additional training in the use of the screening software as well as in the scenarios in which a sanctions check must be made. Further training activities are offered as needed and on an individual basis for affected departments.

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 [AR 2018: Compliance](#)

Code of Conduct

Along with the Group Strategy and Corporate Governance Principles, our Code of Conduct sets out rules for how our employees are to conduct themselves with integrity. It is reviewed both at regular intervals and if a concrete need arises and is approved by the Executive Board. The Code of Conduct is also accepted by our employees as part of their employment contract and hence has binding effect. It makes clear that active and passive bribery are not tolerated and further makes specific reference to the prohibition of money laundering and the prohibition of other criminal acts.

There are also specific rules of conduct, for example in the form of instructions for the avoidance and disclosure of conflicts of interest, for the granting and acceptance of benefits, gifts and invitations, for the arrangement of donations and sponsorships as well as with respect to sideline activities and involvement in other companies and business

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 Supplier management

transactions. The Code of Conduct is thus intended to help our employees cope with challenges in their daily work. We consider integrity in dealings with our stakeholders to be the foundation of a successful enterprise. Both in our strategic planning and in day-to-day business, we therefore aspire to live up to the highest ethical and legal standards when it comes to the demeanour, actions and behaviour of every one of us.

As a listed company, we also emphasise to our employees the necessity of observing rules on insider trading and we specify blocking periods during which shares may not be traded. The consequences of non-compliance and the control mechanisms are explained during training activities.

-  [Website: Human rights and supply chain](#)
-  [AR 2018: Compliance](#)
-  [Website: Code of Conduct](#)
-  [Website: Compliance](#)

Risk management

Companies find themselves confronted with various risks in the course of their business activities. These risks must be identified and managed. Appropriate risk management minimises the business risk on all levels and is vital to an undertaking's long-term success. For this reason, companies are subject to various legal requirements governing risk management. The "Own Risk and Solvency Assessment" (ORSA), for example, is a core element of the Solvency II Directive. The ORSA requires companies to continuously monitor their risk position and financial situation and to review whether their risk management identifies and adequately considers all risks.

Our risk management encompasses chronological risk scrutiny, detection and assessment and defines corresponding actions and control loops. Through established structures and responsibilities we ensure comprehensive evaluation of the risks that we intend to take on. Maximising the opportunities associated with these risks assures the sustainable development of our business. By identifying emerging risks at an early stage and leveraging them for our business, for example, we are consistently able to respond to the changing needs of the market and our clients and, ideally, secure our unique selling proposition.

In the context of our materiality process we identified the topic of risk management as material.

GRI Disclosures

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More information



Risk assessment and risk expertise



Website: Opportunities and risks



AR 2018: Sustainable insurance solutions



AR 2018: Opportunity and risk report

Risk landscape

In order to manage risks and ensure the company's economic stability on a lasting basis, it is essential to navigate through risks proactively and consider all relevant factors, whether they be economic, environmental or social in nature. Hannover Re's expertise in the appropriate assessment of risks is correspondingly sophisticated.

We make a fundamental distinction between risks that result from business operations of past years (reserve risk) and those stemming from activities in the current or future years.

Our risk landscape encompasses:

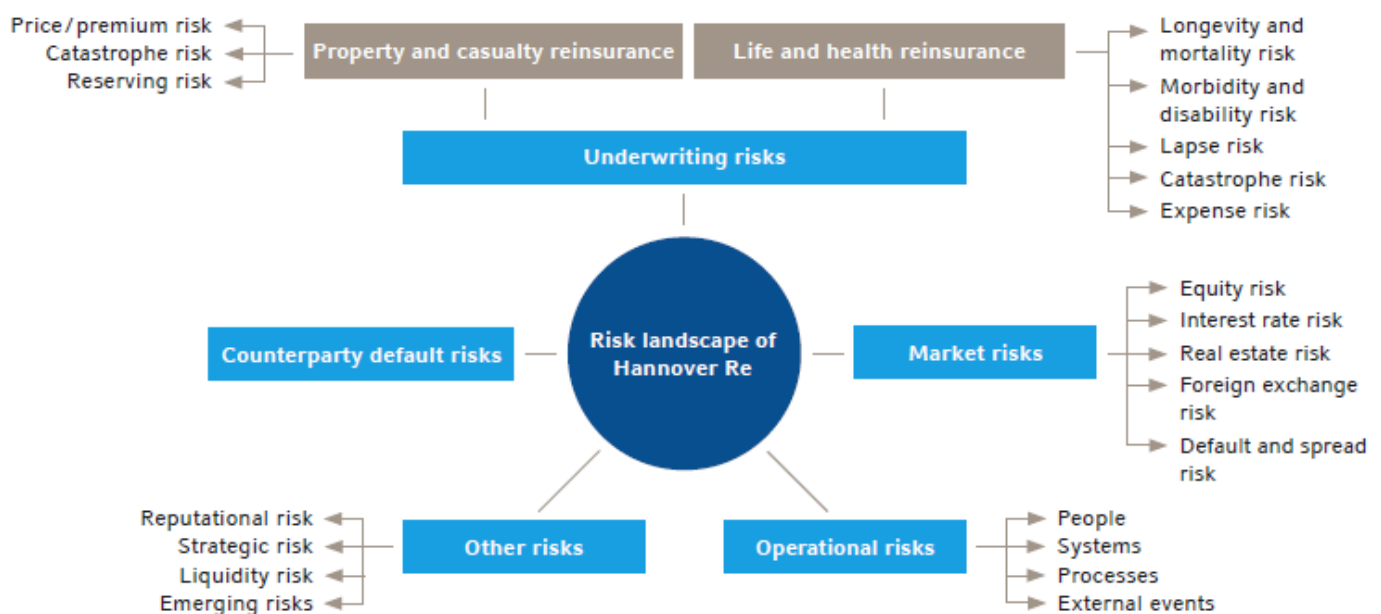
- underwriting risks in property & casualty and life & health reinsurance which originate from our business activities and manifest themselves inter alia in fluctuations in loss estimates as well as in unexpected catastrophes and changes in biometric factors such as mortality,
- market risks which arise in connection with our investments and also as a consequence of the valuation of sometimes long-term payment obligations associated with the technical account,
- counterparty default risks resulting from our diverse business relationships and payment obligations inter alia with clients and retrocessionaires,
- operational risks which may derive, for example, from deficient processes or systems and

- reputational risks, liquidity risks, strategic risks and emerging risks.

Just like other companies, we enter into some of these risks deliberately in the context of our business operations. Particularly for insurance undertakings, the acceptance and transformation of risk constitutes an essential part of business. The parameters and decisions of the Executive Board with respect to our company's risk appetite are fundamental to the assumption of such risks. They are based on calculations of the company's risk-bearing capacity. Through our business operations on all continents and the diversification between our Property & Casualty and Life & Health reinsurance business groups we are able to effectively allocate our capital in light of opportunity and risk considerations and generate a higher-than-average return on equity.

Operational risks, on the other hand, are never purposefully entered into – the emphasis here is on risk minimisation.

Risk landscape of Hannover Re



From a sustainability perspective, the (natural) catastrophe risk and the reputational risk are of particular relevance. Both are addressed in the context of our risk management. For example, the potential financial impacts of catastrophic events (including those caused by climate change) are continuously monitored. Furthermore, we are involved in several European industry associations and contribute to analyses and publications, especially in the area of emerging risks.

Emerging risks play a particularly important role for us. This is because the content of such risks cannot as yet be reliably assessed – especially on the underwriting side with respect to our treaty portfolio. Such risks evolve gradually from weak signals to unmistakable tendencies. It is therefore vital to detect these risks at an early stage and then determine their relevance. For the purpose of early detection of emerging risks we have had an efficient process in place for many years that spans divisions and lines of business and we have ensured its linkage to risk management. We report at length on emerging risks and their management in the chapter entitled "Product responsibility".

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More information

 Risk assessment and risk expertise

Strategies for dealing with the risks inherent in such perils are of the utmost importance to our company as a reinsurer. It is for this reason that our department specialising in the coverage of agricultural risks and the "Innovation Management" team work on products that can alleviate the financial impacts of climate change. In the context of our work in the Emerging Risks Initiative (ERI) of the CRO Forum, we are also investigating investment opportunities in so-called GreenTechs, which could increase our corporate contribution to CO₂ reduction.

Group-wide risk communication and an open risk culture are important to our risk management. Regular global meetings attended by the actuarial units and risk management functions serve as a central anchor point for strategic considerations in relation to risk communication and risk culture. Furthermore, requirements for risk management are formulated in guidelines that are publicised throughout the company.

-  [Website: Opportunities and risks](#)
-  [AR 2018: Sustainable insurance solutions](#)
-  [AR 2018: Opportunity and risk report](#)

Organisation and process of risk management

We have set up risk management functions and bodies Group-wide to safeguard an efficient risk management system. The organisation and interplay of the individual functions in risk management are crucial to our internal risk steering and control system.

The overarching framework governing our risk management system is defined by the Framework Guideline on Risk Management. The rules set out here are derived from our Corporate Strategy and our Risk Strategy and also reflect the Minimum Requirements under Supervisory Law for the System of Governance of Insurance Undertakings (MaGo) published by the Federal Financial Supervisory Authority (BaFin) as well as international standards and developments in relation to adequate corporate governance. The Framework Guideline purposely leaves open some room for manoeuvre and – like the MaGo – follows a principles-based approach in order to fulfil the minimum requirements in a manner that is risk-appropriate but at the same time cost-effective.

Our risk management structure is comprised of multiple elements and actors. Overall responsibility for risk management rests with the Executive Board. The Executive Board is responsible for defining the Risk Strategy and for the proper functioning of risk management. The Supervisory Board advises and supervises the Executive Board in its management of the company. An interdisciplinary Risk Committee

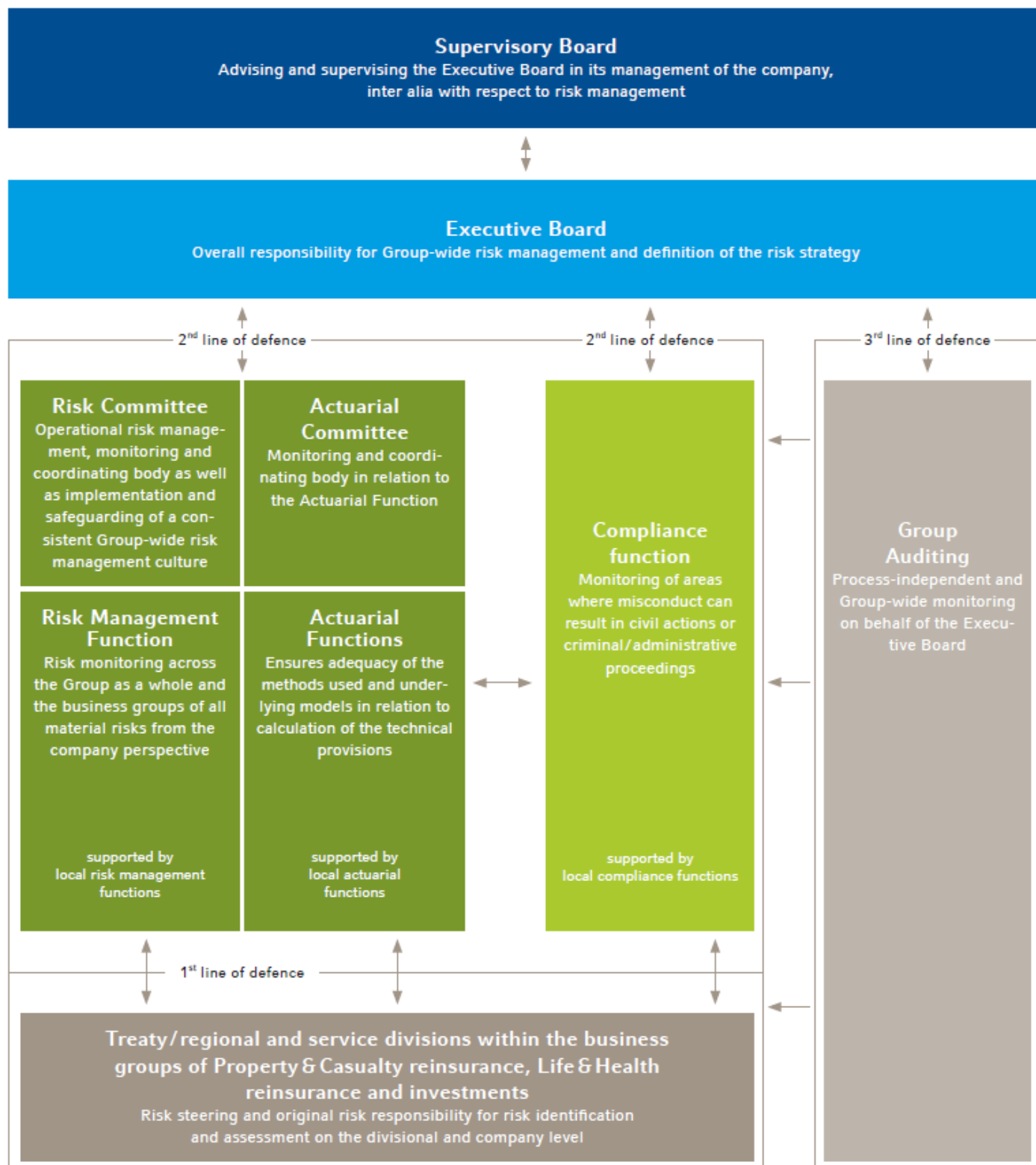
serves as an oversight and coordinating body for operational risk management. It exercises its decision-making power within the Risk Strategy defined by the Executive Board. Group Risk Management takes responsibility for the monitoring of identified risks. It also performs tasks such as risk limitation and reporting and develops methods and processes for risk evaluation, analysis and steering. Original risk responsibility, inter alia for the identification and evaluation of risks, rests with the individual business centres.

Given the ever-increasing complexity of the structures, we use the "three lines of defence" model for the systematic recording, identification, analysis and evaluation of risks. The first line of defence consists of risk steering and the original risk responsibility on the divisional or company level. The second line of defence consists of the key functions of risk management, the actuarial function and the compliance function. These units are responsible for monitoring and control.

Group-wide auditing and process- as well as line-independent monitoring of all functional areas is performed by the Group Auditing function as third line of defence.

The following chart provides an overview of the central functions and bodies within the overall system as well as of their main tasks and powers:

Central functions of risk monitoring and steering



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More information

- [!\[\]\(f15d3c54be60b4fd0ce1da9fb3f67256_img.jpg\) Website: Opportunities and risks](#)
- [!\[\]\(7bf135d42c40a6430c927b2fd03d7659_img.jpg\) AR 2018: Opportunity and risk report](#)
- [!\[\]\(2bcc37677ea6b96900e4d746ad300082_img.jpg\) Website: BaFin](#)

Stakeholder dialogue

Given that the trust of our stakeholders and an immaculate reputation support the success of our company, we consistently make every effort to cultivate an active dialogue with our stakeholders.

In this way we are able to directly assess the needs and expectations of our business partners and customers, identify risks and opportunities at an early stage and determine suitable measures. The development of individually tailored products and services boosts customer satisfaction, creates the basis for long-term client retention and enhances the trust of clients and stakeholders alike in our company.

Furthermore, the dialogue with political decision-makers, supervisory authorities and insurance industry associations serves as an important source of information for our company. Not only that, it establishes the basis for contributing our specialist expertise from business practice to the public debate and hence playing an active part in, for example, the elaboration of supervisory or regulatory standards.

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We have therefore made the further systematic expansion of dialogue channels a goal of our Sustainability Strategy for the years 2018-2020. By sharing information and opinions with our stakeholders we are able to integrate, as far as possible, the expectations and aspirations of the various groups into our business operations. Furthermore, this dialogue helps to identify risks and opportunities at an early stage and serves to build trust.

Our stakeholder universe was defined as part of the elaboration of the Sustainability Strategy. The selection of relevant stakeholders is based on our business operations and our geographical presence, and is regularly reconciled with representatives of the business centres. The following stakeholder groups are particularly relevant to us: clients, brokers, employees, the capital market, the public sector and non-governmental organisations (NGOs).

Dialogue formats

We maintain an ongoing dialogue with our stakeholders in a variety of ways. Through conferences, roadshows and one-to-one meetings, for example, we stay in contact with representatives of the capital market, rating agencies and private investors. Altogether, we attended 16 investor conferences and 10 roadshows in the year under review, held four webcasted calls (e.g. on the interim reports) and 25 teleconferences with investors or analysts and hosted visits from numerous investors and analysts. In addition, analysts and institutional investors make the most of our annual Investors' Day and our analysts' conference – also held annually – to engage in an intensive exchange with management. We cultivate the dialogue with ESG rating agencies on an ongoing basis. Our employees interact with our worldwide customers through direct, face-to-face discussions. Furthermore, we regularly measure customer satisfaction with the involvement of external market research institutes. We similarly maintain an ongoing dialogue with political decision-makers, supervisory authorities and insurance industry associations – mostly in relation to topical issues in insurance supervision and financial market regulation in Germany, the European Union and on the wider international level. These include, among other things, the preparations for the Solvency II review process, the

development of a global capital standard for insurers and negotiations between the European Union and the United States for a bilateral agreement on prudential insurance and reinsurance measures. In this context we contribute our specialist expertise from business practice to the public debate; in return, we are able to integrate helpful insights gained from such exchanges into our business activities and reporting.

In the interests of transparent communication with our stakeholders we have set ourselves the goal of expanding our reporting on sustainability issues. With the compilation of the present Sustainability Report we already provide annual voluntary reporting on our achievements as a responsible enterprise. In so doing, we are guided by the currently applicable and internationally recognised standards of the Global Reporting Initiative (GRI) and by the transparency requirements of environmental, social and governance (ESG) rating agencies. In addition, since 2018 we have published annually our fact sheet on sustainability covering our major sustainability efforts at a glance.

Dialogue with ESG rating agencies

In keeping with the goals defined in our Sustainability Strategy 2018 – 2020, we are also continuing to expand the dialogue with our stakeholders. Going forward, we intend to report at greater length on topics that have come up in discussions with rating agencies. These include, among other things, aspects of product responsibility, current research activities on ESG topics and products as well as cooperation with [primary insurers](#) on the management of ESG issues.

Since 2014 we have been listed in the FTSE4Good, a worldwide index series geared to sustainability ratings according to ESG criteria. Based on our published GRI Report, we were also evaluated in the year under review by the rating agency oekom research AG with an eye to our sustainability performance and – in recognition of our above-average fulfilment of the sector-specific requirements – we were again awarded "Prime" status. Furthermore, we were evaluated by the ESG rating agencies Robeco SAM, Sustainalytics, Vigeo-EIRIS, MSCI and ISS. We engage in a continuous dialogue on rating-specific sustainability issues as part of the annual rating processes. Additionally, we were included in the Global Challenges Index for the first time in 2017 and are listed in major STOXX indices.

In 2018, as in the previous years, we participated in the survey conducted by the [Carbon Disclosure Project \(CDP\)](#). Information related to climate change is published here with a special orientation towards the capital market. In 2018 we achieved a "C" score.

| Ratings and indices | 2018 | 2017 | 2016 | 2015 | 2014 |
|-------------------------------------|---|---|-----------------|------|------|
| CDP | C | B | B | C | C |
| MSCI | BBB | BB | BB | | |
| oekom research | Prime Status C | Prime Status C | Prime Status C+ | | |
| Sustainalytics | Score: 71 | Score: 70 | Score: 68 | | |
| Listed in the following ESG indices | FTSE4Good Global Challenges Index (GCX) STOXX indices | FTSE4Good Global Challenges Index (GCX) STOXX indices | FTSE4Good | | |

In March 2019 we published our Non-Financial Information Statement for the second time as part of our Group Annual Report 2018. In so doing, we provide the non-financial information required since 2017 under the Commercial Code (HGB). The statement contains information regarding key environmental, social and employee matters as well as information on respect for human rights and fighting corruption and bribery.


In 2018, with a view to stepping up our dialogue with stakeholders on sustainability issues and fulfilling the requirements of the Commercial Code, we conducted another stakeholder survey with the participation of representatives from the stakeholder groups of clients, brokers, the capital market, employees, NGOs and the public sector.

Further information on our dialogue formats may be found in the chapter on "Product responsibility" under "Customer relations" and in the chapter on "Employees" under "Employee satisfaction".

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More information

-  Customer orientation and satisfaction
-  Employee satisfaction

 [Website: Sustainability reports and ratings](#)

Advocacy groups and memberships

We are a member of numerous regional, national and global associations, advocacy groups and organisations. Our employees participate in working groups on various topics and contribute their specialist expertise to relevant discussions on a range of subjects, including sustainability issues.

On the international level our Chief Executive Officer added his signature to the Geneva Association's "Climate Risk Statement" in 2009. Together with the Chief Executives of a further 65 of the world's leading insurance undertakings, our CEO reaffirmed his support for this declaration – originally dating from 2009 – in May 2014. The guiding principles set out therein describe how the insurance industry intends to play its part in global efforts to tackle climate-related risks. These include activities in the areas of product innovation, climate research and investment. We are also represented on the "Extreme Events and Climate Risk Working Group" of the Geneva Association.

In addition, we are a member of the Reinsurance Advisory Board (RAB), which has been included in the EU Transparency Register since July 2015. Our Chief Executive Officer led the RAB for a two-year term before relinquishing the chair to another member company in April 2019 as part of the regular rotation.

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More information

 Emissions

The following list shows a selection of the most significant bodies to which our company belongs:

- American Council of Life Insurers (www.acli.com)
- Chief Risk Officer Forum (www.thecroforum.org)
- German Insurance Association (www.gdv.de)
- Geneva Association (www.genevaassociation.org)
- Global Earthquake Model (www.globalquakemodel.org)
- Global Reinsurance Forum (www.grf.info)
- Insurance Association of China (www.iachina.cn)
- Insurance Ireland (www.insuranceireland.eu)
- International Actuarial Association (www.actuaries.org)
- International Insurance Society (www.internationalinsurance.org)
- International Underwriting Association of London (www.iua.co.uk)
- OASIS (www.oasislmf.org)
- Reinsurance Advisory Board of the Insurance Europe federation (www.insuranceeurope.eu)
- South African Insurance Association (www.saia.co.za)
- VOICE Bundesverband der IT-Anwender e. V. (www.voice-ev.org)
- Gesellschaft für Datenschutz und Datensicherheit e. V. (www.gdd.de)

-  Website: Investor Relations
-  Website: Product responsibility
-  Website: Ecoprofit
-  Website: Geneva Association
-  Website: United Nations
-  Website: International Labour Organization
-  Website: Climate Alliance Hannover 2020